



STAFF NOTES:

Middle East Africa South Asia

State Department review completed

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MIDDLE EAST – AFRICA – SOUTH ASIA

This publication is prepared for regional specialists in the Washington community by the Middle East - Africa Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Israel*Pressures for Jewish Settlements in the Occupied Territories Continue*

Prime Minister Rabin's government continues to be under pressure from the powerful Israeli lobby that wants the pace of Jewish settlement activities in the occupied territories accelerated.

The determination of the pro-settlement groups has been fueled by anti-Israel resolutions adopted recently by the UN General Assembly, especially the one that equated Zionism with racism. Last week, two of the groups, the Jewish Agency and the Zionist Federation, reportedly proposed to the government's Ministerial Committee on Settlements a plan to establish 17 new settlements in the Israeli-occupied territories between now and the end of next year. The plan calls for nine settlements on the West Bank, five on the Golan Heights, and three in the northern Sinai just south of the Gaza Strip. Financing probably would come mainly from the Jewish Agency's quasi-governmental Jewish National Fund.

Meanwhile, the Gush Emunim bloc, a more militant group, announced earlier this month that it would soon resume large-scale settlement attempts on the West Bank with or without government approval. Spokesmen for the bloc claim to have 535 Jewish families organized into six groups ready to establish new settlements. Seventeen of the families are already living in a government-approved "work camp" northeast of the town of Ramallah. The camp reportedly is itself becoming a de facto settlement, although the government claims only workers at a nearby Israeli military installation have been given permission to live there.

An initial attempt by Gush Emunim on November 25 to carry out its announced plan ended quickly. According to press accounts, some 50 would-be settlers were removed by Israeli troops from an abandoned railway station near Nablus that they had occupied. Last spring

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the religious-oriented group conducted numerous illegal settlement attempts on the West Bank in close cooperation with the National Religious Party's youth wing. Each attempt resulted in a confrontation--some of them violent--with government troops sent to disperse the settlers.

Additional settlements are also being proposed for the Golan Heights. The kibbutz movement that is affiliated with the dominant faction of Rabin's Labor Party recently announced its intention to sponsor an additional Golan settlement and so has the kibbutz movement affiliated with Labor's leftist coalition partner, Mapam. The Labor faction already sponsors three settlements in the area and the Mapam group two. Several weeks ago, a small group affiliated with the Religious Party set up an unauthorized settlement in the central Golan near the disengagement line.

Government policy on the settlement issue is deliberately ambiguous. The Rabin cabinet is badly divided on the subject and the Prime Minister is anxious to keep it from becoming a major political issue that could seriously threaten the stability of his coalition. He has the task of trying to placate the powerful pro-settlement forces while at the same time trying to prevent the settlement issue from jeopardizing possible peace negotiations with the Arabs, who closely monitor Israeli activities in the occupied territories. So far, he has handled the problem by procrastinating whenever possible on decisions concerning specific proposals for new settlements. At the same time, however, he has bowed to pressure from the settlement groups and authorized the expansion of existing Jewish settlements and also allowed work to proceed on a new West Bank industrial site and on new regional centers on the Golan and in the Sinai. His rationale has been that these are not new settlements but only facilities designed to service existing ones.

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India*New Setbacks for Gandhi*

Prime Minister Gandhi received two new setbacks this week. In municipal elections in two cities of Gujarat state, her Ruling Congress Party went down to overwhelming defeat. The winner was the Popular Front, a combination of five generally right-of-center opposition parties, that swept to power in state elections in Gujarat last June, just prior to the proclamation of a national emergency. Since then the Ruling Congress has sought to break up the Front by capitalizing on rivalries and disputes between the various parties. While there have been individual defections, no major party has withdrawn from the grouping.

On November 16, before the municipal elections, a convention was held in the state capital with the announced intention of expanding the Front into a country-wide party to contest national elections. The convention apparently helped cement solidarity among the constituent parties, although it was announced that they would continue to exist independently. Members of some parties fear loss of identity and absorption into a highly centralized new political organization.

Success for the Front in national elections--when-ever they may be held--is by no means assured because of the traditional antipathy between the member parties and the continued incarceration of many senior opposition leaders. Nevertheless, the apparent success of the convention in keeping the opposition parties basically united and the new Front victories in Gujarat will cause concern in New Delhi among top leaders of the Ruling Congress Party.

Meanwhile, on November 26, a High Court justice in Bombay upheld a petition challenging the Indian government's press censorship regulations, imposed when the emergency was declared. The ruling, which

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the government is expected to appeal, stated that comments and criticism of government action could not be blacked out unless they affected public order or internal security. The judgment, if upheld, will probably have considerable impact on future rulings in similar cases presently pending before other courts. Earlier this month another justice ordered the government's chief censor to withdraw his instructions banning press reporting on proceedings before the same High Court. [redacted]

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Sri Lanka*New Budget*

Sri Lanka's 1976 budget, announced earlier this month, continues the price distortions and direct controls that have contributed to the country's critical balance-of-payments position and offers little incentive to foreign investment. It does not embrace some major economic changes urged on Colombo by international lending agencies. Nevertheless, Sri Lanka will probably receive at least part of the \$105 million in new credits it has requested from the International Monetary Fund.

The budget, which could be modified during parliamentary debate, is based on the following policies and proposals:

- continuation of the dual foreign exchange rate, which discriminates against the main export crops and makes food imports seem relatively cheap;
- continuation of the free rice ration and a reduction of the subsidized price for additional rice and sugar;
- acknowledged "de facto nationalization" of foreign banks by a method that enables the government to avoid paying compensation, namely by transferring the foreign trade transactions of recently nationalized plantations from the foreign banks to state banks;
- an increase in the fertilizer subsidy for rice production to the high rate already available for tea and coconuts;
- a budget deficit of over \$300 million--40 percent of projected revenue--to be financed through such domestic sources as pension and insurance funds and by foreign aid.

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In recent months, economic policy decision by Prime Minister Bandaranaike's government have moved in different directions. The long discussed nationalization of plantations producing primary export crops took effect on October 15. The recent removal of restrictions on the domestic sale and transportation of rice, on the other hand, suggests a shift away from state regulation. The Prime Minister is apparently using the new budget to minimize opposition from left-wing elements, which have become more vocal since a Trotskyite party was expelled from the governing coalition last September.

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